



BADGER DAYLIGHTING LTD.

ANNUAL INFORMATION FORM

FOR THE YEAR ENDED DECEMBER 31, 2015

Dated: March 17, 2016

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GLOSSARY

In this annual information form, the following terms have the meanings set out below:

“**ABCA**” means the *Business Corporations Act (Alberta)*, S.A. 2000, c. B-9, as amended, including the regulations promulgated thereunder;

“**Badger**” or the “**Corporation**” means Badger Daylighting Ltd. and, where the context requires, Badger Daylighting Ltd. and its direct and indirect subsidiaries considered on a consolidated basis and its predecessors and their subsidiaries considered on a consolidated basis;

“**Badger Shares**” means the common shares in the capital of the Corporation;

“**Badger Shareholders**” means the holders from time to time of the Badger Shares; and

CURRENCY

All dollar amounts set forth in this annual information form are in Canadian dollars, except where otherwise indicated.

DATE OF INFORMATION

Unless otherwise specified, information in this annual information form is given as of December 31, 2015, being the last day of the most recently completed financial year of Badger.

FORWARD LOOKING STATEMENTS

Certain statements contained in this annual information form constitute “**forward-looking statements**”. These statements relate to future events or Badger’s future performance. All statements other than statements of historical fact may be forward-looking statements. One such forward-looking statement in this annual information form is Badger’s intention to pay monthly dividends to the Badger Shareholders. By its nature, forward-looking statements are typically based on certain assumptions. The forward-looking statements contained in this annual information form reflect Badger’s beliefs and assumptions. These statements also involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Other factors may include, but are not limited to: tax matters as a corporation; supply and demand fluctuations for oil and natural gas and related products and services; political and economic conditions; the demand for services provided by Badger; industry competition; and Badger’s ability to attract and retain key personnel. For more information and for a discussion regarding the assumptions and risks related to the forward-looking statement concerning Badger’s intention to pay monthly dividends, see “Risk Factors – Risks Relating to the Badger Shares - Cash Dividends are Not Guaranteed and will Fluctuate with the Performance of Badger” and “Distribution/Dividend History – Dividend Policy”. Badger believes that the expectations reflected in these forward-looking statements are reasonable; however, no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this annual information form should not be unduly relied upon. In addition, these forward-looking statements relate to the date on which they are made. Badger disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

CORPORATE STRUCTURE

Legal Overview

The Corporation was incorporated on April 27, 2010 pursuant to the provisions of the ABCA. The Corporation was incorporated for the purpose of participating in the conversion of Badger Income Fund from an income fund structure to that of a corporation, being the Corporation. Pursuant to the conversion, the then existing holders of

units of Badger Income Fund transferred all of their Badger Income Fund units to the Corporation in exchange for Badger Shares on the basis of one such Badger Share for each one Badger Income Fund unit held and the Corporation became the owner of all issued and outstanding units of Badger Income Fund. Articles of arrangement for the Corporation giving effect to the conversion were filed on December 31, 2010. The conversion was accounted for as a continuity of interests of Badger Income Fund since there was no change in control and since Badger continued to operate the business of Badger Income Fund.

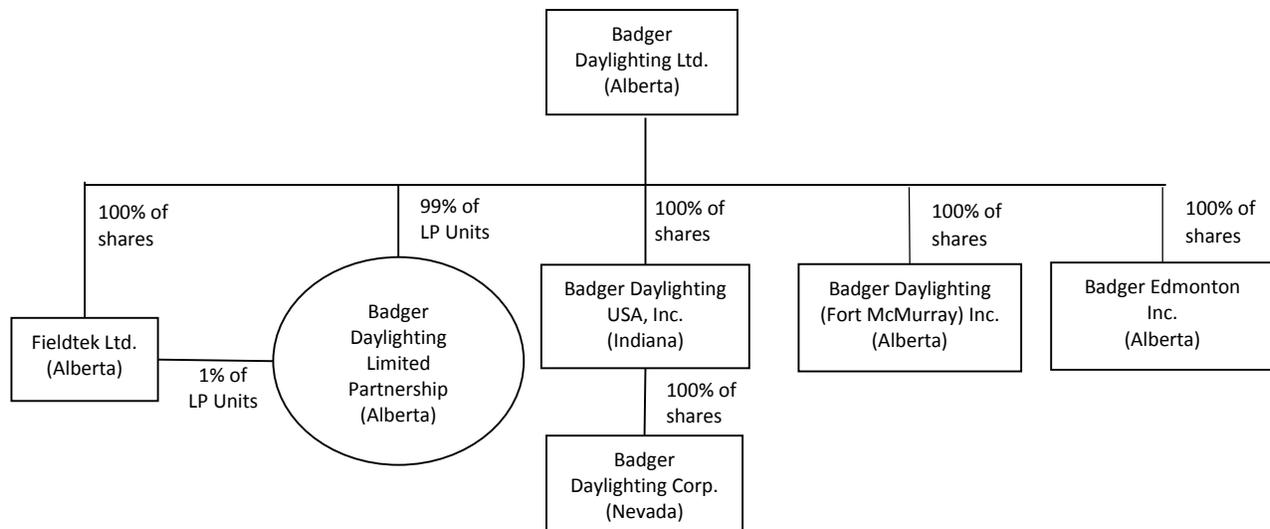
On May 6, 2010 the Corporation filed articles of amendment to change its share structure so that the only authorized class of shares in the capital of the Corporation is common shares (referred to herein as Badger Shares).

On January 1, 2012 the Corporation filed articles of amalgamation to complete a vertical short-form amalgamation with its wholly-owned subsidiary Badger Daylighting Inc.

The head office of Badger is located at 1000, 635 – 8th Avenue SW, Calgary, Alberta T2P 3M3. The registered office of Badger is located at c/o Shea Nerland Calnan LLP, 2800, 715 – 5th Avenue SW, Calgary, Alberta T2P 2X6.

Organizational Structure

The following diagram sets out the organizational structure of the Corporation, including each of the material subsidiaries of the Corporation. The respective jurisdiction of incorporation or formation of each entity is set out in brackets after the name of each entity:



Authorized Share Capital

An unlimited number of Badger Shares may be created and issued pursuant to the articles of the Corporation. As at December 31, 2015, there were 37,100,681 Badger Shares issued and outstanding (37,100,681 as at March 17, 2016). Badger Shareholders are entitled to one vote per Badger Share held at any meeting of Badger Shareholders, to participate in dividends declared by the Corporation, and to receive the remaining property of the Corporation upon dissolution.

On January 13, 2014, Badger announced that its board of directors approved of the split of all of the issued and outstanding Badger Shares on a basis of three (3) Badger Shares for every one (1) existing Badger Share. As a result of the split, Badger's issued capital tripled from 12,344,631 Badger Shares to 37,033,893 Badger Shares. Badger determined to proceed with the share split in order to provide increased liquidity in its shares. The record date for the share split was the close of business on January 24, 2014. The payment date, being the date that additional common shares issuable as a result of the share split were issued, was on January 27, 2014. Ex-distribution trading in the common shares on split-adjusted basis commenced on January 28, 2014.

THE BUSINESS OF BADGER

Significant Events in Last Three Years

The following is a summary of the significant events that have influenced the general development of the business of Badger over the last three completed financial years.

Acquisition of Fieldtek Holdings Ltd.

On November 1, 2013, Badger completed the acquisition of the business and operating assets of Fieldtek Holdings Ltd. (“**Fieldtek**”) for an aggregate purchase price of approximately \$19.2 million in cash financed using Badger’s existing extendable revolving credit facility. Based in Lloydminster, Alberta, Fieldtek provides general vacuum truck and auxiliary services to the oil and gas industry, focusing primarily on production tank cleaning and removal of waste oil and sand. At the time of the acquisition, Fieldtek operated a fleet of 50 pieces of equipment including complete semi vacuum trucks and trailers, pressure trucks and steamer combo units. Fieldtek also had 19 lease operator units that worked exclusively for Fieldtek. Fieldtek operates within a 150 kilometre radius from Lloydminster.

Growth in Fleet of Badger Hydrovacs

Badger manages its build and fleet of purpose-built Badger Hydrovacs to achieve profitable growth. It should be noted that profitability takes priority over growth. Badger monitors the amount of revenue earned per hydrovac as a key metric in optimizing growth and profitability. High revenue per hydrovac indicates Badger cannot service all its customers and generally leads to an increase in Badger’s build.

The following table illustrates the growth in Badger’s total operational fleet of Badger Hydrovacs over the last five completed fiscal years:

Number of Badger Hydrovacs in Fleet

<u>Fiscal Period Ended</u>	<u>Canada</u>	<u>United States</u>	<u>Total</u>
December 31, 2011	245	259	504
December 31, 2012	307	323	630
December 31, 2013	356	435	791
December 31, 2014	410	588	998
December 31, 2015	364	654	1,018

Description of the Business

Badger is North America’s largest provider of non-destructive excavating services. Badger traditionally works for contractors and facility owners in the utility and petroleum industries. Badger’s key technology is the “**Badger Hydrovac**”, which is used primarily for safe digging in congested grounds and challenging conditions. The Badger Hydrovac uses a pressurized water stream to liquefy the soil cover, which is then removed with a powerful vacuum system and deposited into a storage tank. Badger manufactures its truck-mounted hydrovac units.

Badger’s business model involves the provision of excavating services through two distinct methods: via “**Badger Corporate**” and via operating partners (franchisees in the United States and agents in Canada). For the first method, Badger has established corporate run operations in locations to market and deliver the service in the local area directly. For the second method, Badger Corporate works with its operating partners in certain locations to provide hydrovac service to the end user. In this partnership, Badger provides the expertise, the trucks, and North American marketing and administration support. The operating partners deliver the service by operating the equipment and developing their local markets. All work is invoiced by Badger and then shared with the operating partner based upon a revenue sharing formula.

In 2014 Badger expanded its 52,000 square foot office and manufacturing facility by 10,000 square feet and took over an additional 7,200 square feet of an adjoining building on 8 acres of land in Red Deer, Alberta. This facility is used by Badger to manufacture the Badger Hydrovacs. However, Badger derives its revenues from the services and operations side of its business rather than from the sale of Badger Hydrovacs to third parties. Badger has not sold, and the predecessor company to Badger did not sell, any Badger Hydrovacs to third parties.

Badger Daylighting System

The Badger Hydrovac is designed for excavation, trenching, daylighting and other services in a variety of ground conditions. Excavating a hole 8 to 20 inches in diameter to a practical depth of 20 feet exposes utility lines and pipelines. The process involves injecting hot or cold pressurized water into the ground while a vacuum system collects the waste water and soil debris. Once a sufficient amount of debris is collected, the debris is transported and discharged in appropriate environmentally safe locations.

The Badger Hydrovac is a self-contained operating unit. The Badger Hydrovac is equipped with a boiler to provide hot water to enable the Badger Hydrovac to work efficiently in harsh climatic and frozen ground conditions. The Badger Hydrovac will operate at temperatures of as low as -40°C. The Badger Hydrovac is also manoeuvrable enough to operate on city streets.

Badger manufactures a portion of the Badger Hydrovac system's operating parts, sub-frames and tanks. The cab and chassis, the engine and other truck parts are obtained from various third party suppliers. The equipment parts from third party suppliers and those manufactured by Badger are assembled at Badger's manufacturing facility in Red Deer, Alberta. Assembly of the Badger Hydrovac includes welding, plumbing and wiring of all equipment parts and customization of the engine, and cab and chassis into a complete and operating Badger Hydrovac.

Revenue

Badger provides hydrovac services to numerous clients in Canada and the United States. The table below sets out the revenues of Badger for the last three completed fiscal years for its two geographic/reportable segments.

Revenue ^{(1) (2)}

<u>Fiscal Period Ended</u>	<u>Canada</u>	<u>United States</u>	<u>Total</u>
December 31, 2013	\$169,683,000	\$154,910,000	\$324,593,000
December 31, 2014	\$215,707,000	\$206,512,000	\$422,219,000
December 31, 2015	\$153,849,000	\$250,771,000	\$404,620,000

Notes: (1) Includes revenue generated through Badger Corporate (as hereinafter described; see "The Business of Badger - Badger Corporate") as well as through Marketing Agreements and Franchise Agreements (each as hereinafter described and defined; see "The Business of Badger - Marketing Agreements and Franchise Agreements") and fees payable to Badger thereunder.

(2) Also includes revenues from business lines of Badger other than the provision of daylighting services; see "The Business of Badger – Other Business". These other business lines are not a material component of Badger's consolidated assets or revenues.

Badger Corporate

Badger operates Badger Hydrovacs providing services directly to the customer in several locations throughout the United States and Canada through its corporate operations division known as "Badger Corporate". The following table illustrates the growth in the number of Badger Hydrovacs in Badger's fleet operated through Badger Corporate over the last three completed fiscal years:

Badger Hydrovacs Operated Via Badger Corporate

<u>Fiscal Period Ended</u>	<u>Canada</u>	<u>United States</u>	<u>Total</u>
December 31, 2013	231 (in 4 provinces)	357 (in 30 states)	588
December 31, 2014	268 (in 4 provinces)	505 (in 39 states)	773
December 31, 2015	227 (in 4 provinces)	586 (in 40 states)	813

Within Badger Corporate there are 24 Badger Hydrovacs operated by independent operators. The independent operators hold the rights to operate a hydrovac for three year periods, which are renewable. However, they do not lease the hydrovacs like a franchisee is required to do. Independent operators are compensated with a percentage of hydrovac revenues.

Marketing Agreements and Franchise Agreements

Badger also utilizes marketing agreements (the “**Marketing Agreements**”) in Canada and franchise agreements (the “**Franchise Agreements**”) in the United States to provide Badger hydrovac services in various regions throughout Canada and the United States. Historically, the Marketing Agreements and Franchise Agreements permitted Badger to expand to regions where there was a demand for Badger’s hydrovac services at a rate which would otherwise have been unattainable. The following table illustrates the number of Badger Hydrovacs in Badger’s fleet operated under Marketing Agreements and Franchise Agreements at the end of the indicated fiscal years:

Number of Badger Hydrovacs Operated Via Marketing Agreements and Franchise Agreements

<u>Fiscal Period Ended</u>	<u>Canada</u>	<u>United States</u>	<u>Total</u>
December 31, 2011	131 (in 4 provinces)	78 (in 9 states)	209
December 31, 2012	146 (in 4 provinces)	65 (in 8 states)	211
December 31, 2013	125 (in 4 provinces)	78 (in 7 states)	203
December 31, 2014	142 (in 4 provinces)	83 (in 7 states)	225
December 31, 2015	137 (in 4 provinces)	68 (in 9 states)	205

Pursuant to the Marketing Agreements and the Franchise Agreements, the contracting party pays an initial start-up fee and is granted operation rights, marketing or franchise rights and service rights for the operation of one or more Badger Hydrovacs. The revenue generated by the Badger Hydrovacs is split between the contracting party and Badger pursuant to a pre-determined formula. The agreements provide that Badger is to receive from the contracting party a monthly administration fee or a specified percentage of third party service revenue to cover administration costs. While the Badger Hydrovacs remain the property of Badger, the contracting party is responsible for the operating costs of such units. Certain maintenance costs related to the Badger Hydrovacs, initial training of the contracting party operating the Badger Hydrovacs and the administrative duties such as billing, invoicing, and collecting of revenues are performed by Badger. The initial term of each Marketing Agreement is 5 or

10 years, subject to renewal by the operator for an additional 5 year term. The initial term for each Franchise Agreement is 10 years, subject to renewal by the franchisee for an additional 10 year term. During the term, the Marketing Agreement or Franchise Agreement can also be extended if an area operator obtains an additional Badger Hydrovac. Badger has the right to terminate a Marketing Agreement or Franchise Agreement if the operator thereunder does not meet specified sales, safety and maintenance requirements.

Market Segments

Based on Badger's historical sales patterns and its experience in the industry, management of Badger believes that its current hydrovac services market is comprised of the following market segments:

<u>Market Segment</u>	<u>Approximate Percentage of Total Revenues</u>
Petroleum Industry	38%
Utility Clients and General Contractors	62%

Petroleum Industry

Petroleum plants and facilities have been a good market due to the Badger Hydrovac's safety and manoeuvrability advantages for excavation near and in oil and gas facilities. Badger also performs services for a wide variety of pipeline operators and contractors in Canada with the majority of its services being provided in Western Canada. However, with the steep decline in the price of oil over 2015 this market segment is now the smaller of the two Badger market segments. The oil and gas industry in the United States also provided a large potential market for Badger to provide daylighting services but it is also under considerable pressure from low oil prices. Approximately 38% of Badger's revenues for the year ended December 31, 2015 were derived from the petroleum industry market segment.

Utility Clients and General Contractors

Badger has continued to expand its base of municipalities, utility clients and general contractors which operate near high concentrations of underground power, communication, water, gas and sewer lines, particularly in large urban centres where economic and safety risks are high. Approximately 62% of Badger's revenues for the year ended December 31, 2015 were derived from this market segment.

Other Business

Badger maintains three other revenue-generating divisions in addition to the Badger daylighting division.

Badger rents and sells various lines of trench shielding used to shore and strengthen trenches dug for a variety of purposes. This division is not a major component of Badger's consolidated assets or revenues.

Badger also provides sewer inspection services and limited sewer flush services. This division is not a major component of Badger's consolidated assets or revenues.

Badger also provides general vacuum truck and auxiliary services to the oil and gas industry, focusing primarily on production tank cleaning and removal of waste oil and sand. This division is not a major component of Badger's consolidated assets or revenues.

Employees

As at December 31, 2015, Badger employed 1,554 people (as at December 31, 2014: 1,655). Of these, Badger employed 900 people in the United States and 654 people in Canada.

Trademarks

Canada

Badger has registered the trademark “Badger Daylighting” in Canada under Registration No. TMA427,552 and the registered logo shown on the face page of this document in Canada under Registration No. TMA531,100.

United States

Badger has registered the trademark “Badger Daylighting” at the United States Patent and Trademark Office under Registration No. 3,947,060. Badger has registered the logo at the United States Patent and Trademark Office under Registration No. 2,419,263. Badger has registered the trademark “Badger” with the United States Patent and Trademark Office under Registration No. 2,749,562. No registration applications have been filed with any U.S. state with respect to Badger’s name and logo.

The Hydrovac Industry and Competition

Prior to the development of hydrovac technology, the only means of exposing underground pipelines, utility cables or lines was by hand digging or machine excavation. For small jobs, companies traditionally exposed underground lines by hand with picks and shovels. Excavation by hand is expensive, time consuming and labour intensive. For larger jobs, machines were used to excavate. Both methods pose a significant safety hazard in the event of an underground line rupture or if the integrity of the underground line is damaged.

In the late 1980s, a system using pressurized water or air and a vacuum system, commonly referred to as “hydrovacing”, was developed in North America. Today, several types of hydrovac systems have been developed each with its own method of utilizing pressurized water or air and vacuum systems. The hydrovac industry in North America continues to expand as companies acknowledge its safety and environmental benefits concerning excavation near underground pipelines and utility lines.

The hydrovac industry is quite fragmented and Badger competes with a number of regional competitors in each of the markets in which it operates. To its knowledge, Badger is the largest provider of hydrovac services in North America. In addition to other companies providing hydrovac services, Badger also faces direct and indirect competition from traditional means of excavation including mechanical and manual methods. Mechanical equipment has become less attractive to companies as a result of increasing concerns and costs associated with line ruptures. Manual digging by hand is labour intensive, inefficient and ineffective in frozen ground conditions.

While there are a number of hydrovac manufacturers from which competitors can purchase hydrovacs, there are several barriers to entry to become a significant player in the hydrovac market:

- high capital cost of hydrovac units
- high-level of engineering expertise and development cost required to construct similar units
- reputation and customer loyalty
- operational and safety procedures and experience

Regulatory Environment

Various regulatory bodies in Canada and the United States acknowledge that excavation around underground lines pose an inherent danger to the operator, the public and the environment. Various departments of the federal, state and provincial governments regulate the excavation procedure to be used when digging near underground lines. These regulations enhance the ability of Badger to compete with traditional methods of excavation services.

RISK FACTORS

An investment in Badger Shares involves a number of risks and uncertainties. This section describes the general material risks that management of Badger believes may impact Badger Shareholders and/or Badger. If any of the following risks actually occur, Badger's business, results of operations and financial condition, and the amount of cash available for distribution to Badger Shareholders, could suffer. Further, the risks described below are not the only risks that Badger faces. Additional risks not currently known to management of Badger or that are currently deemed immaterial also may have a negative impact on Badger Shareholders and/or Badger.

Risks Relating to the Badger Shares

Risk factors specific to the Badger Shares include, but are not limited to, the following:

Cash Dividends are Not Guaranteed and will Fluctuate with the Performance of Badger

A return on an investment in Badger Shares is not comparable to the return on an investment in a fixed-income security. The recovery of an investment in Badger Shares is at risk and any anticipated return on an investment in Badger Shares is based on many performance assumptions.

Although the Corporation intends to pay monthly cash dividends to the Badger Shareholders, these dividends are not assured and may be reduced or suspended. The ability of the Corporation to pay dividends and the actual amount of such dividends will be dependent upon numerous factors including, but not limited to, Badger's financial performance, Badger's debt covenants and obligations, Badger's working capital requirements and Badger's future capital requirements. In addition, the market value of the Badger Shares may decline if the Corporation is unable to meet its cash dividend targets in the future and that decline may be significant. Dividend payments may be reviewed and adjusted from time to time by the board of directors of the Corporation to reflect current business conditions. The Badger Shares are not a source of guaranteed income and Badger Shareholders should be aware that they bear the risk that the frequency and amounts of dividends may fluctuate or be interrupted.

It is important for a person making an investment in Badger Shares to consider the particular risk factors that may affect both Badger and the industry in which Badger operates and which may therefore affect the stability of the dividend payments on the Badger Shares. Badger has not obtained a stability rating for the Badger Shares and does not anticipate doing so in the foreseeable future. See the other risk factors set out in this section which describes management's assessment of those risk factors, as well as the potential consequences to a Badger Shareholder if a risk should occur.

Under the terms of Badger's credit facilities, Badger is restricted from declaring dividends or distributing cash if Badger is in breach of its debt covenants. As at the date of this Annual Information Form, Badger is not in violation of any of its covenants.

As an ABCA corporation, the payment of dividends by Badger must comply with the requirements of the ABCA, including satisfying the dividend test applicable to ABCA corporations (i.e. an ABCA corporation shall not declare or pay a dividend if there are reasonable grounds for believing that (a) the corporation is, or would after the payment be, unable to pay its liabilities as they become due or (b) the realizable value of the corporation's assets would thereby be less than the aggregate of its liabilities and stated capital of all classes).

The Corporation May Issue Additional Badger Shares Diluting Existing Shareholders' Interests

The articles of the Corporation authorize the Corporation to issue an unlimited amount of Badger Shares. The Corporation may issue additional Badger Shares to raise funds. The by-laws of the Corporation provide that dividends may be paid by the Corporation by issuing fully paid Badger Shares. The Corporation cannot predict the number of Badger Shares it may issue, or the effect, if any, that an issue will have on the market price of the Badger Shares. However, additional Badger Shares issued by the Corporation may be dilutive to Badger Shareholders and such dilution could be significant.

Debt Financing

As at December 31, 2015, Badger had outstanding indebtedness in the aggregate amount of USD \$75 million including:

- (i) no amount outstanding pursuant to its revolving credit facility; and
- (ii) USD \$75 million outstanding pursuant to senior secured notes with amortizing principal repayments of USD \$25 million due on each of January 24, 2020, January 24, 2021 and January 24, 2022.

See “Material Contracts” for a description of the related debt agreements.

The ability of Badger to pay dividends or make other payments or advances, will be subject to applicable laws and contractual restrictions contained in the instruments governing Badger’s indebtedness. The degree to which Badger is leveraged could have important consequences to the holders of the Badger Shares, including: that Badger’s ability to obtain additional financing for working capital, capital expenditures or acquisitions in the future may be limited; that a significant portion of Badger’s cash flow from operations may be dedicated to the payment of the principal of and interest on its indebtedness, thereby reducing funds available for future operations and distributions; that certain of Badger’s borrowings may be at variable rates of interest, which exposes it to the risk of increased interest rates; and that Badger may be vulnerable to economic downturns including Badger’s ability to retain and attract clients. Also, there can be no assurance that Badger will continue to generate sufficient cash flow from operations to meet required interest and principal payments. Further, Badger is subject to the risk that any of its existing indebtedness may not be able to be refinanced upon maturity or that the terms of such financing may not be as favourable as the terms of its existing indebtedness. These factors may adversely affect the frequency or amounts of dividends paid by Badger.

Badger’s various credit facilities provide first charge security interests on all of its assets to its various lenders. These credit facilities contain numerous terms and covenants that limit the discretion of management with respect to certain business matters. These covenants place restrictions on, among other things, the ability of Badger to create liens or other encumbrances, to pay dividends on its securities or make certain other payments, investments, loans and guarantees and to sell or otherwise dispose of assets and merge or consolidate with another entity. In addition, the credit facilities contain a number of financial covenants that require Badger to meet certain financial ratios and financial condition tests. A failure to comply with the obligations in the credit facilities could result in a default which, if not cured or waived, could result in a reduction or termination of Badger’s dividends, and may permit acceleration of the relevant indebtedness. If the indebtedness under the credit facilities were to be accelerated, there can be no assurance that the assets of Badger would be sufficient to repay in full that indebtedness.

Although Badger intends to pay monthly dividends to the Badger Shareholders, these dividends are not assured and may be reduced or suspended in order to comply with the credit facilities of Badger. The market value of the Badger Shares may decline if Badger is unable to meet its dividend targets in the future, and that decline may be significant.

Market Price of Badger Shares

The trading price of the Badger Shares is subject to volatility. This volatility is often based on factors both related and unrelated to the financial performance or prospects of the issuer involved. The market price of the Badger Shares could be subject to significant fluctuations in response to variations in Badger’s operating results, financial condition, liquidity and other internal factors. Factors that could affect the market price of the Badger Shares that are unrelated to Badger’s performance include domestic and global commodity prices, international financial markets generally and economic uncertainty in North America and Europe, and market perceptions of the attractiveness of particular industries. The price at which the Badger Shares will trade cannot be accurately predicted.

Structural Subordination of the Badger Shares

In the event of a bankruptcy, liquidation or reorganization of the Corporation or its subsidiaries, holders of certain of their indebtedness and certain trade creditors will generally be entitled to payment of their claims from the assets

of the Corporation or its subsidiaries before any assets are made available for distribution to the Corporation and/or its shareholders. The Badger Shares will be effectively subordinated to most of the indebtedness and other liabilities of the Corporation and its subsidiaries. Neither the Corporation nor its subsidiaries will be limited in their ability to incur secured or unsecured indebtedness.

Interest Rates

Badger has certain floating rate loans and may be negatively impacted by increases in interest rates, the effect of which increase would be to reduce the amount of cash available for dividends. If interest rates decline, however, cash available for dividends may increase.

Capital Investment

The timing and amount of capital expenditures by Badger will directly affect the amount of cash available for dividend payments to Badger Shareholders. Dividends may be reduced, or even eliminated, at times when significant capital or other expenditures are made.

Potential Growth

There is no assurance Badger will be able to improve its position in the markets in which it currently participates or expand into new geographical markets.

Further, the payout by Badger of a significant percentage of its operating cash flow will make additional capital and operating expenditures dependent on increased cash flow or additional financing in the future. Lack of those funds could limit the future growth of Badger and its cash flow.

Risks Relating to the Business of Badger

Risk factors specific to the business of Badger, include, but are not limited to, the following:

Reliance on Oil and Gas Sector

The oil and gas sector accounts for approximately 38% of Badger's revenues. The petroleum service industry relies heavily on the volume of capital expenditures made by oil and natural gas explorers and producers. These spending decisions are based on several factors including, but not limited to, hydrocarbon prices, production levels of current reserves and access to capital – all of which can vary greatly. The regions with the greatest exposure to oil and gas service activity are the province of Alberta and the Western United States. To minimize the impact of the oil and natural gas industry cycles, Badger also focuses on generating revenue from the utility and general contracting market segments.

Competition

Badger operates in a highly competitive environment for hydrovac services in Canada and the United States. In order to remain the leading provider of hydrovac services, Badger continually enhances its safety and operational procedures to ensure they meet or exceed Badger's customers' expectations. Badger also has the in-house capabilities to continuously improve its daylighting units so that they remain productive and efficient. There can be no assurance that Badger's competitors will not achieve greater market acceptance due to pricing, efficiency, safety and other factors.

United States Operations

Badger faces risks associated with doing business in the United States. Badger has made a significant investment in the United States to develop the hydrovac market. The growth rate of the United States market is very hard to predict.

Safety (Reputation and Financial Results Could be Harmed in the Event of Accidents or Incidents)

Badger is exposed to liabilities that are unique to the services that Badger provides. Such liabilities may relate to an accident or incident involving one of Badger's Hydrovacs or damage to equipment or property caused by one of Badger's Hydrovacs, and could involve significant potential claims of injured employees and other third parties. The amount of Badger's insurance coverage may not be adequate to cover potential claims or liabilities and Badger may be forced to bear substantial costs as a result of one or more accidents. Substantial claims resulting from an accident in excess of its related insurance coverage would harm Badger's financial condition and operating results. Moreover, any accident or incident involving Badger, even if Badger is fully insured or not held liable, could negatively affect Badger's reputation among customers and the public, thereby making it more difficult for Badger to compete effectively, and could significantly affect the cost and availability of insurance in the future. Due to the magnitude of insurance premiums, Badger decided to self-insure against any physical damage it could incur on the hydrovac units. This decision will be re-evaluated periodically as circumstances change.

Safety is one of Badger's on-going concerns. Badger has implemented programs to seek to ensure its operations meet or exceed current hydrovac safety standards. Badger also employs safety advisors in each region who are responsible for maintaining and developing Badger's safety policies. In addition, these regional safety advisors monitor Badger's operations in an effort to ensure they are operating in compliance with such policies. However, despite Badger's efforts to operate safely there is no certainty that accidents or incidents will not occur.

Amortization of Hydrovac Units

Badger currently amortizes the hydrovac units over 10 years, a policy that is based on management's current knowledge and past experience. There is a certain amount of business risk that newer technology or some other unforeseen circumstance could lower this life expectation.

Dependence on Key Personnel

The success of Badger is dependent on the services of a number of members of its senior management. The experience and talents of these individuals will be a significant factor in Badger's continued success and growth. The loss of one or more of these individuals could have a material adverse effect on Badger's operations and business prospects. Management and the Board of Directors are focused on succession planning and contingency planning with respect to key senior management personnel.

Fluctuations in Weather and Seasonality

Badger's operating results have been, and are expected to continue to be, subject to quarterly and other fluctuations due to a variety of factors including changes in weather conditions and seasonality. For example, in western Canada Badger's operating results may be negatively affected if there is an extended spring break-up period since oil and gas industry sites may not be accessible during such periods. In eastern Canada, Badger has in the past experienced enhanced use of its equipment during cold winters, thus improving the results of its operations during such times, and then may go through a slow period during spring thaw. In the western United States, Badger has in the past from time to time been restricted, by the imposition of government regulations, from conducting its work in environmentally sensitive areas during the winter mating seasons of certain animals and birds and this has had a negative effect on Badger's results of operations. As such, changes in the weather and seasonality may, depending on the location and nature of the event, have either a positive or negative effect on Badger's results of operations.

Key Suppliers

Badger has established relationships with key suppliers. There can be no assurance that current sources of equipment, parts, components or relationships with key suppliers will be maintained. If these are not maintained, Badger's ability to manufacture its hydrovac units may be impaired.

Fluctuations in the Economy and Political Landscape

Operations could also be adversely affected by general economic downturns, changes in the political landscape or limitations on spending. Badger will continue to look for opportunities to replace revenue in the event of a downturn.

Availability of Labour and Equipment

While Badger has historically been able to source labour and equipment required to run its business, there can be no assurances Badger will be able to do so in the future.

Compliance with Government Regulations

While Badger believes that it is currently in compliance with all applicable government standards and regulations, there can be no assurance that all of Badger's business will be able to continue to comply with all applicable standards and regulations.

Environmental Risk

As the owner and lessor of real property, Badger is subject to various federal, provincial and municipal laws relating to environmental matters. Such laws provide that Badger could be liable for the costs of removal and remediation of certain hazardous substances or wastes released or deposited on or in its properties or disposed at other locations. The failure to remove or remediate such substances, if any, could adversely affect Badger's ability to sell such real property or to borrow using such real property as collateral and could potentially also result in claims against Badger.

Credit Risk

A portion of the accounts receivable of Badger are with customers involved in the oil and gas industry, whose revenues may be impacted by fluctuations in commodity prices. Although collection of these receivables could be influenced by economic factors affecting this industry, management considers the risk of a significant loss to be remote at this time. However, if a significant loss occurs due to this credit risk, it may have a material adverse affect on the operations of Badger.

Litigation

Legal proceedings may arise from time to time in the course of Badger's business. All industries, including the hydrovac industry, are subject to legal claims, with and without merit. Such legal claims may be brought against Badger or one or more of its subsidiaries in the future from time to time. Defence and settlement costs of legal claims can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, such process could take away from management time and effort and the resolution of any particular legal proceeding to which Badger may become subject could have a material effect on Badger's financial position and results of operations.

Income Tax Matters

Badger and its subsidiaries are subject to federal, provincial and state income taxes in Canada and the United States, as applicable. Although Badger is of the view that it and its subsidiaries are in full compliance with all applicable legal requirements relating to federal, provincial and state legislation on income tax, sales tax, goods and services tax, excise tax and all other direct or indirect taxes including business tax, real estate tax, municipal, and other taxes, there can be no assurance that Badger and its subsidiaries will not be subject to assessment, reassessment, audit, investigation, inquiry or judicial or administrative proceedings under any such laws. As taxing regimes change their tax basis and rates, or initiate reviews of prior tax returns, Badger's liability to income tax may increase and Badger could be exposed to increased costs of taxation, which could, among other things, reduce the amount of funds

available to distribute to shareholders or otherwise have a material adverse effect on Badger's business, results of operations or financial condition.

MANAGEMENT

Executive Officers

The following table sets forth certain information in respect of each executive officer of the Corporation as of March 17, 2016.

<u>Name and Jurisdiction of Residence</u>	<u>Current Office in the Corporation⁽¹⁾</u>	<u>Principal Occupation and Other Information</u>
Tor Wilson Alberta, Canada	President, Chief Executive Officer and Director	Mr. Wilson has been a director (or trustee) and President of Badger, including its predecessors, since 2000, and Chief Executive Officer of Badger, including its predecessors, since 2001. Prior thereto, Mr. Wilson was the Chief Operating Officer of Timberjack Inc., a worldwide forestry equipment manufacturer, from 1996 to May 2000. Mr. Wilson holds a Bachelor of Science degree in Forestry from the University of New Brunswick, an MBA from Laurentian University in Ontario and the ICD.D designation from the Institute of Corporate Directors. On March 10, 2016, Badger announced that Mr. Wilson has decided to retire once a suitable successor has been identified and is in place. The Board will form a search committee and, with a recruiting firm, conduct a comprehensive search of internal and external candidates for Mr. Wilson's replacement.
Gerald Schiefelbein Alberta, Canada	Vice-President Finance and Chief Financial Officer	Mr. Schiefelbein has been the Vice-President Finance and Chief Financial Officer of Badger since June 2, 2014. Prior thereto, Mr. Schiefelbein was the Senior Vice President of Finance of Ivanoe Energy Inc. since September 2012 and its Chief Financial Officer since November 2009. Previous to this, Mr. Schiefelbein was Chief Financial Officer with BP plc, Integrated Supply & Trading from September 2007 to February 2009 and its Controller from February 2006 to September 2007. Mr. Schiefelbein has a BBA in finance from the University of Wisconsin at Madison and an MM in finance from Northwestern's Kellogg School of Business.
John G. Kelly, Indiana, United States	Chief Operating Officer	Mr. Kelly has been the Chief Operating Officer of Badger since January 1, 2015. Mr. Kelly was the Vice President of Operations - USA from September 2011 until January 1, 2015. Prior thereto, Mr. Kelly was employed by Waste Management Inc. for 18 years holding various positions in hauling, transfer and recycling operations. Mr. Kelly held positions including District Manager, Director of Operations and most recently Midwest Vice President for WM Recycle America. Mr. Kelly holds a BA from Marist College in Poughkeepsie, New York.
Mark Lyle Alberta, Canada	Vice-President, Canadian Operations - West	Mr. Lyle has been the Vice-President, Canadian Operations - West of Badger since January 1, 2016. Mr. Lyle has worked with Badger for over 15 years from 1995-2003 and 2009-2016. Mr. Lyle has held positions including Director of Business Development, Regional Manager Western Canada, Regional Manager Eastern

<u>Name and Jurisdiction of Residence</u>	<u>Current Office in the Corporation⁽¹⁾</u>	<u>Principal Occupation and Other Information</u>
		Canada, Canadian Sales Manager and Business Development Representative. Between 2003-2009 Mr. Lyle was Canadian Operations Manager for Slider LLC and Technical Sales Manager and Technical Sales Representative for Tesco Energy Services. Prior thereto, Mr. Lyle was a Technical Sales Representative with Pretec Energy Services. Mr. Lyle holds a Bachelor of Commerce degree from the University of Calgary.
Elizabeth Peterson North Carolina, United States	Vice-President, US Operations - East	Mrs. Peterson has been the East Region Vice President of Operations since April 2015. Prior thereto, Mrs. Peterson was employed by Clean Harbors Environmental Services, Inc. for 24 years holding various positions in both sales and operations. Mrs. Peterson held positions including SVP East Region, Vice President Industrial Services and Vice President of InSite Services. Mrs. Peterson holds a BA from Smith College in Northampton, MA as well as a MBA from Duke University's Fuqua School of Business.
Timothy Reiber Colorado, United States	Vice-President, US Operations - West	Mr. Reiber has been Vice President of Operations – US West since May 2015. Prior to that, Mr. Reiber held the roles of Regional Manager and Director of Operations of Badger for the West Region in the US since joining the company in June 2012. Prior to joining Badger, Mr. Reiber was the Senior Regional Director for Factory Motor Parts, a wholesale auto part distributor, overseeing the sales and operations for the Mountain Region. Previous to this, Mr. Reiber was the Operations Manager for Allied Waste in Denver, CO and held various sales and operations roles for Waste Management in the Chicago, IL market. Mr. Reiber holds a BS/BA from the University of Florida in Gainesville, FL.

Directors

The following table sets forth certain information in respect of each director of the Corporation as of March 17, 2016.

<u>Name and Jurisdiction of Residence</u>	<u>Current Office in the Corporation⁽¹⁾</u>	<u>Principal Occupation and Other Information</u>
Tor Wilson Alberta, Canada	President, Chief Executive Officer and Director	See "Executive Officers".
Glen Roane Alberta, Canada	Chair of the Board ⁽²⁾⁽⁴⁾	Mr. Roane is a businessman and corporate director who has served as a director of more than 15 public or private companies since 1997 and who also served two terms as a Member of the Alberta Securities Commission. He is also currently a director of Enerplus Corporation, Crown Capital Partners Inc., and GBC American Growth Fund Inc. Prior to 1997, Mr. Roane was employed in the financial services industry with employers including the Toronto Dominion

<u>Name and Jurisdiction of Residence</u>	<u>Current Office in the Corporation⁽¹⁾</u>	<u>Principal Occupation and Other Information</u>
Catherine (Kay) Best Alberta, Canada	Director ⁽²⁾⁽⁴⁾	Bank, Lancaster Financial Inc and Burns Fry Limited. Mr. Roane holds a BA and MBA from Queen's University, in Kingston, Ontario and the ICD.D designation. Mr. Roane has been a director of Badger, including its predecessors, since May 22, 2003 and became Chair of Badger in November 2014.
Grant Billing Alberta, Canada	Director ⁽²⁾⁽⁵⁾	Ms. Best is a corporate director, currently serving on the boards of AltaGas Ltd., Canadian Natural Resources Limited, Superior Plus Corporation and Aston Hill Financial Inc. From 2000 to 2009 Ms. Best was the Executive Vice President, Risk Management & Chief Financial Officer of the Calgary Health Region. Prior to 2000 she was a Corporate Audit Partner with Ernst & Young. She holds a Bachelor of Interior Design degree from the University of Manitoba. Ms. Best is a Chartered Accountant and was awarded her FCA designation in 2005 and her ICD.D in 2009. Ms. Best has been a director of Badger since June 18, 2015.
Grant Billing Alberta, Canada	Director ⁽²⁾⁽⁵⁾	Mr. Billing is a corporate director who has served as a director of more than 9 other public and private companies. Mr. Billing was the Chairman of Superior Plus Corp. from 2011 to 2014 and served as its Chairman and Chief Executive Officer from 2006 to November 2011 and its Executive Chairman from 1998 to 2006. Prior to that, Mr. Billing held various senior management positions with exploration and production companies including President and Chief Executive Officer of Norcen Energy Resources Limited and Sceptre Resources Incorporated. Mr. Billing is currently a director of Pembina Pipeline Corporation and a director of Cortex Business Solutions Inc. Mr. Billing holds a Bachelor of Science degree from the University of Calgary and is a Chartered Accountant. Mr. Billing has been a director of Badger since June 18, 2015.
David M. Calnan Alberta, Canada	Director and Secretary ⁽³⁾⁽⁴⁾	Mr. Calnan is a businessman whose principal business activities are with Rocky Layman Energy Inc., an Alberta based oil and gas company and Am-Tek Solutions Inc., a private investment management company. Mr. Calnan has been President of Rocky Layman Energy Inc. since 1989 and has been President of Am-Tek Solutions Inc. and its predecessor companies since 2001. Mr. Calnan has also served as an officer and director of ten other public and a number of private companies. Mr. Calnan was a partner with the law firm of Shea Nerland Calnan LLP from 1990 until 2013. Mr. Calnan is a member of the Law Society of Alberta and received his BA from Queen's University in 1977 and his LLB from the University of Toronto in 1981. Mr. Calnan has been a director (or trustee) and the Secretary of Badger, including its predecessors, since May 28, 1993.
William (Bill) Lingard Alberta, Canada	Director ⁽³⁾⁽⁵⁾	Mr. Lingard is currently a Director of BlackSquare Inc. and was the Chairman of the Board for the Southern Alberta Institute of Technology (SAIT) until September 2014. Prior to that, he was the

Name and Jurisdiction of Residence	Current Office in the Corporation⁽¹⁾	<u>Principal Occupation and Other Information</u>
Garry P. Mihaichuk Alberta, Canada	Director ⁽³⁾⁽⁵⁾	<p>President and Chief Operating Officer of URS Corporation in San Francisco from 2013 to 2014; the President, Chief Executive Officer and Board member of Flint Energy Services Limited from 2005 to 2012; the Chief Operating Officer of Nabors Drilling Canada from 2002 to 2005; and the Chief Operating Officer of Enserco Energy Services from 2000 to 2002. Mr. Lingard started his career with Halliburton holding various positions of increasing responsibility from 1982 to 2000 with assignments in the United States and Canada including Country Manager for Halliburton Canada. He served as the Chairman of the Petroleum Services Association of Canada (PSAC) in 2000 and the Chairman of the Executive Oilmen's Association in 2004. Mr. Lingard holds a Bachelor of Engineering degree from Memorial University in St. John's, Newfoundland and completed business management courses at the University of Texas. Mr. Lingard has been a director of Badger since June 18, 2015.</p> <p>Mr. Mihaichuk is a corporate director who has served as a director on 14 public and private companies since 1996. Mr. Mihaichuk is currently a Director of the following public companies: Greenfields Petroleum Corporation and Nordic Petroleum AS. He is also currently a Director and President of Nordic America's Inc. which is a subsidiary of Nordic Petroleum AS. Further, he is currently a Director of RLG International, a private management consulting firm, a Director of Nordcon Oil and Gas AS, a private company, a Director and President of Nordcon Canada Inc. which is a subsidiary of Nordcon Oil and Gas Inc. and a Director of Friends of the Calgary Philharmonic Orchestra. Between 2007 and 2009 he was the President and CEO of Toromont Energy Systems Inc., from 2005 to 2007 he was Vice President of Heavy Oil and Oil Sands for Husky Energy Inc., and from 2001 to 2005 he was Senior Vice President of Mancal Corporation. Mr. Mihaichuk holds a B.Sc. Mechanical Engineering from Queen's University, a Global Leadership diploma from Michigan University, a PMD diploma from Harvard University and an ICD.D designation from the Institute of Corporate Directors. Mr. Mihaichuk has been a director of Badger, including its predecessors, since April 23, 2009.</p>

- Notes:
- (1) Directors hold office upon appointment until the next annual general meeting of Badger Shareholders unless re-elected at that meeting.
 - (2) Member of the Audit Committee of the Corporation.
 - (3) Member of the Human Resources and Compensation Committee of the Corporation.
 - (4) Member of the Nominating and Governance Committee of the Corporation.
 - (5) Member of the Health, Safety and Environment Committee of the Corporation.

Share Ownership

As of March 17, 2016, 682,956 Badger Shares were beneficially owned or controlled directly or indirectly by the directors and executive officers of Badger, as a group, which represented approximately 1.84% of the issued and outstanding Badger Shares.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Except as set out below, to the best of the knowledge of management of Badger:

- (a) no person who is a director or executive officer of Badger is, as at the date of this annual information form, or has been, within 10 years before the date of this annual information form, a director, chief executive officer or chief financial officer of any company (including Badger) that:
 - (i) was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation, in each case that was in effect for a period of more than 30 consecutive days and that was issued while such person was acting in the capacity as director, chief executive officer or chief financial officer; or
 - (ii) was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation, in each case that was in effect for a period of more than 30 consecutive days and that was issued after such person ceased to be a director, chief executive officer or chief financial officer but resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer; and
- (b) no person who is a director or executive officer of Badger, or who is a person holding a sufficient number of Badger Shares to affect materially the control of Badger:
 - (i) is, as at the date of this annual information form, or has been within 10 years before the date of this annual information form, a director or executive officer of any company (including Badger) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
 - (ii) has, within the 10 years before the date of this annual information form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director or trustee; and
- (c) no person who is a director or executive officer of Badger, or who is a person holding a sufficient number of Badger Shares to affect materially the control of Badger, has been subject to:
 - (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
 - (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

In the spring of 2008 the board of directors of Aztek Energy Ltd. decided to allocate all cash resources to satisfy well abandonment obligations and as a result did not prepare annual audited financial statements for the year ended December 31, 2007. In the summer of 2008, the Alberta Securities Commission and the British Columbia Securities Commission issued cease trade orders for all of the securities of Aztek for failure to file the said financial statements. Aztek subsequently satisfied its well abandonment obligations and then prepared and filed its audited annual financial statements. The securities commissions revoked the aforementioned cease trade orders. David Calnan, the secretary and a director of Badger, was secretary and a director of Aztek during this time. Aztek Energy Ltd. merged with Spartan Exploration Ltd. pursuant to a plan of arrangement on January 18, 2010.

In February 2015, Ivanhoe Energy Inc. announced its intention to file a Notice of Intention to Make a Proposal pursuant to the provisions of Part III of the *Bankruptcy and Insolvency Act* (Canada). Approximately eight months prior to the time of this filing, Gerald Schiefelbein resigned from his position as the Senior Vice President of Finance of Ivanhoe Energy Inc. and accepted the position of Vice-President Finance and Chief Financial Officer of Badger.

Conflict of Interest Restrictions and Provisions

The ABCA contains “conflict of interest” provisions that serve to protect Badger Shareholders by requiring each director and officer of the Corporation to disclose to the Corporation any interest in a material contract or transaction or proposed material contract or transaction with Badger or the fact that such person is a director or officer of or otherwise has a material interest in any person who is a party to a material contract or transaction or proposed material contract or transaction with Badger. Such disclosure is required to be made at the first meeting at which a proposed contract or transaction is considered. In the event that a material contract or transaction or proposed material contract or transaction is one that in the ordinary course would not require approval by the board of directors of the Corporation, the director or officer is required to disclose in writing to the Corporation or request to have entered into the minutes of the meeting of the board of directors the nature and extent of his or her interest forthwith after the director or officer becomes aware of the contract or transaction or proposed contract or transaction. In any case, a director or officer who has made disclosure to the foregoing effect is not entitled to vote on any resolution to approve the contract or transaction unless the contract or transaction is one relating primarily to his or her remuneration as a director, officer, employee or agent of the Corporation or one for indemnity under the provisions of the ABCA or liability insurance.

In the case of subsidiaries of the Corporation, the governing statutes contain similar “conflict of interest” provisions to those described in the preceding paragraph and the directors and executive officers of the subsidiaries of the Corporation are legally obligated to comply with such provisions.

Neither the Corporation nor any of its subsidiary entities have been advised of any current or potential material conflicts of interest of their respective directors or executive officers.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

No person or company who is a director or executive officer of Badger, a person or company that is the direct or indirect owner of, or who exercises control or direction over, more than 10% of the outstanding Badger Shares, or an associate or affiliate of any of the aforementioned persons or companies, has had any material interest in any transaction with Badger within the three most recently completed financial years of Badger, or during the current financial year of Badger, that has or will materially affect Badger.

MARKET FOR SECURITIES, TRADING PRICE AND VOLUME

The following table sets forth the reported high and low sales prices and the trading volumes of the Badger Shares, as reported by the Toronto Stock Exchange, for the periods indicated:

	<u>Price Range</u>		<u>Trading Volume</u>
	<u>High</u>	<u>Low</u>	
2015			
January	\$26.80	\$20.32	4,801,096
February	\$28.08	\$22.55	4,657,009
March	\$27.35	\$22.05	4,177,349
April	\$30.18	\$25.65	3,157,604
May	\$30.59	\$27.86	2,121,676
June	\$28.93	\$25.93	2,492,147
July	\$26.35	\$23.00	2,696,105
August	\$26.235	\$16.71	4,978,596
September	\$20.82	\$18.74	2,844,196
October	\$21.88	\$18.82	3,356,704
November	\$25.40	\$17.80	6,206,132
December	\$25.20	\$22.30	<u>3,227,488</u>
Total for Period			<u>44,716,102</u>

DIVIDEND HISTORY

Dividend Policy

The Corporation currently has a policy of distributing cash to the holders of Badger Shares on a monthly basis. The Corporation is currently paying a monthly dividend of \$0.03 per Badger Share, or \$0.36 per Badger Share on an annualized basis. Cash dividends are generally paid monthly to the Badger Shareholders of record on the last day of each month (unless such day is not a business day, in which case the date of record has generally been the immediately preceding business day) and have been paid on or about the 15th day of the following month (unless such day is not a business day, in which case the payment date has generally been on the business day either immediately preceding or immediately following such day). Badger's current dividend policy is based on the assumption that the underlying business of Badger will continue to generate sufficient cash flow. Dividends and the dividend policy of the Corporation will be reviewed by the Board of Directors of the Corporation and adjusted from time to time to reflect the then current business conditions. See "Risk Factors" for a discussion of various risks that may impact the ability of the Corporation to pay dividends.

Particulars of Dividends

The particulars of dividends declared by Badger for the three most recently completed financial years are as follows:

	<u>Dividend Period</u>	<u>Payment Date</u>	<u>Amount of Dividend</u>
2013	January	February 15, 2013	\$0.03 per Share
	February	March 18, 2013	\$0.03 per Share
	March	April 15, 2013	\$0.03 per Share
	April	May 15, 2013	\$0.03 per Share
	May	June 17, 2013	\$0.03 per Share
	June	July 15, 2013	\$0.03 per Share
	July	August 15, 2013	\$0.03 per Share
	August	September 16, 2013	\$0.03 per Share
	September	October 15, 2013	\$0.03 per Share
	October	November 15, 2013	\$0.03 per Share
	November	December 16, 2013	\$0.03 per Share
	December	January 15, 2014	<u>\$0.03 per Share</u>
	Totals for Period		<u>\$0.36 per Share</u>

	<u>Dividend Period</u>	<u>Payment Date</u>	<u>Amount of Dividend</u>
2014⁽¹⁾	January	February 17, 2014	\$0.03 per Share
	February	March 17, 2014	\$0.03 per Share
	March	April 15, 2014	\$0.03 per Share
	April	May 15, 2014	\$0.03 per Share
	May	June 16, 2014	\$0.03 per Share
	June	July 15, 2014	\$0.03 per Share
	July	August 15, 2014	\$0.03 per Share
	August	September 16, 2014	\$0.03 per Share
	September	October 15, 2014	\$0.03 per Share
	October	November 17, 2014	\$0.03 per Share
	November	December 15, 2014	\$0.03 per Share
	December	January 15, 2015	<u>\$0.03 per Share</u>
		Totals for Period	
2015	January	February 16, 2015	\$0.03 per Share
	February	March 16, 2015	\$0.03 per Share
	March	April 15, 2015	\$0.03 per Share
	April	May 15, 2015	\$0.03 per Share
	May	June 15, 2015	\$0.03 per Share
	June	July 15, 2015	\$0.03 per Share
	July	August 14, 2015	\$0.03 per Share
	August	September 15, 2015	\$0.03 per Share
	September	October 15, 2015	\$0.03 per Share
	October	November 13, 2015	\$0.03 per Share
	November	December 15, 2015	\$0.03 per Share
	December	January 15, 2016	<u>\$0.03 per Share</u>
		Totals for Period	

Note: (1) On January 24, 2014, the Badger Shares were split on the basis of three (3) Badger Shares for every one (1) existing Badger Share. The record date for the share split was the close of business on January 24, 2014. The payment date, being the date that additional common shares issuable as a result of the share split were issued, was on January 27, 2014. All of the numbers in the foregoing table have been adjusted to reflect the share split.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Badger is not currently a party to any legal proceedings or regulatory actions material to it and, insofar as management of Badger is aware, no such proceedings are currently contemplated.

On June 16, 2015, a jury in the District Court of Creek County, Oklahoma, Bristow Division, entered a verdict of approximately USD \$13.7 million in favor of a former franchisee and his franchise against a subsidiary of Badger for breach of contract and other causes of action. On July 27, 2015, Badger filed an appeal to the Supreme Court of the State of Oklahoma and provided a standby letter of credit of USD \$8.0 million. On December 29, 2016, Badger announced that it had settled this legal action by agreeing to pay the former franchisee USD \$7.5 million.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of Badger are Deloitte LLP, Chartered Accountants, of Calgary, Alberta.

Computershare Trust Company of Canada at its principal offices in Calgary, Alberta and Toronto, Ontario is the transfer agent and registrar for the Badger Shares.

MATERIAL CONTRACTS

Other than as set out in the list below, there are no contracts, other than contracts entered into in the ordinary course of business, that are material to Badger that were entered into within the most recently completed financial year, or before the most recently completed financial year but that are still in effect.

1. Badger has entered into a credit agreement dated as of January 24, 2014 with The Toronto Dominion Bank, as amended by an amending agreement dated as of April 30, 2014 between Badger and The Toronto Dominion Bank, and as further amended by a second amending agreement dated July 22, 2014 between Badger and The Toronto Dominion Bank, Canadian Western Bank and The Bank of Nova Scotia. On January 24, 2014, Badger amended the terms of its extendable revolving credit facility with the The Toronto-Dominion Bank to decrease the principal amount of the facility from \$100 million to \$75 million effective January 24, 2014. The maturity date was originally June 22, 2014 but the parties further amended the facility on April 30, 2014 to renew the facility and extend the maturity date to June 21, 2015. On July 23, 2014, Badger again further amended the terms of its revolving credit facility with The Toronto-Dominion Bank, Canadian Western Bank and The Bank of Nova Scotia joined the lending syndicate. The principal amount was increased from \$75 million to \$125 million effective July 22, 2014. The maturity date was extended to July 22, 2018 after which the entire amount must be repaid. The interest rate remained unchanged. Depending on certain financial ratios, the credit facility bears interest, at Badger's option, at the bank's prime rate or banker's acceptance rate plus 1.25%. An additional stand-by fee calculated at the annual rate of 0.25% per annum is also required on the unused portion of the facility. In addition, as part of the extension, the credit facility contains a \$50 million accordion which Badger may request as an increase to the total available facility. The purpose of the facility is to finance Badger's growth capital expenditure program and for general corporate purposes. See "Risk Factors – Risks Relating to the Badger Shares – Debt Financing".

2. Badger has entered into a senior secured note agreement dated January 24, 2014 with the Prudential Capital Group. Pursuant to that agreement, on January 24, 2014 Badger issued US \$75 million aggregate principal amount of senior secured notes to Prudential Capital Group. The notes have an interest rate of 4.83% per annum and mature on January 24, 2022. Amortizing principal repayments of US \$25 million are due under the notes on January 24, 2020, January 24, 2021 and January 24, 2022. Interest will be paid semi-annually in arrears. The notes are secured and rank equally with Badger's senior credit facilities. Proceeds from the offering were used to repay a portion of the outstanding debt under Badger's senior credit facilities and for ongoing capital expenditures and general corporate purposes. See "Risk Factors – Risks Relating to the Badger Shares – Debt Financing".

INTERESTS OF EXPERTS

Audited financial statements for Badger for the financial years ended December 31, 2015 and 2014 have been included in filings made by Badger under National Instrument 51-102 during or relating to Badger's most recently completed financial year or during or relating to Badger's current financial year. The firm which conducted the audits and signed the audit reports on the financial statements of Badger for the year ended December 31, 2014 was Ernst & Young LLP, Chartered Accountants, of Calgary, Alberta. The firm which conducted the audits and signed the audit reports on the financial statements of Badger for the year ended December 31, 2015 was Deloitte LLP, Chartered Accountants, of Calgary, Alberta. Ernst & Young LLP and Deloitte LLP have each advised that it is independent of Badger in accordance with the Rules of Professional Conduct as outlined by the Institute of Chartered Accountants of Alberta.

AUDIT COMMITTEE INFORMATION

Mandate of the Audit Committee

A copy of the Mandate of the Audit Committee of Badger is attached as Schedule A to this annual information form.

Audit Committee Composition

The Audit Committee is a standing committee appointed by the board of directors of the Corporation to assist the board of directors in fulfilling its oversight responsibilities with respect to financial reporting by Badger. The Audit Committee currently consists of Catherine Best, Glen Roane and Grant Billing. Catherine Best is the Chair of the Audit Committee. Each member of the Audit Committee is independent and financially literate, as such terms are defined in National Instrument 52-110 – Audit Committees.

Relevant Education and Experience

In addition to each member's general business experience, the education and experience of each member of the Audit Committee that is relevant to the performance of such member's responsibilities as a member of the Audit Committee are set forth below.

- *Catherine (Kay) Best* – Ms. Best is a chartered accountant with over 30 years' experience. Ms. Best is a corporate director and consultant. Previously, she served as Executive Vice-President, Risk Management and Chief Financial Officer for the Calgary and Alberta Health Region where she was responsible for all finance functions, including financial operations, budgeting, forecasting and planning, business support for operating and corporate portfolios, performance reporting, business planning and treasury management. Ms. Best was a chartered accountant at Ernst & Young, an accounting firm, for nineteen years, the last ten years as Corporate Audit Partner. In addition to a bachelor of interior design degree, she holds Chartered Accountant and Fellow Chartered Accountant designations. This experience, coupled with her designation as a Chartered Accountant, provide Ms. Best with the skill set and financial literacy required to carry out her duties as a member of the Audit Committee.
- *Glen Roane* – Mr. Roane is a businessman and corporate director who has served as a director of more than 15 public or private companies since 1997 and who also served two terms as a Member of the Alberta Securities Commission. He is also currently a director of Enerplus Corporation, Crown Capital Partners Inc., and GBC American Growth Fund Inc. Prior to 1997, Mr. Roane was employed in the financial services industry with employers including the Toronto Dominion Bank, Lancaster Financial Inc and Burns Fry Limited. Mr. Roane holds a BA and MBA from Queen's University, in Kingston, Ontario and the ICD.D designation. From his experience, he has gained an understanding of the elements and application of effective internal controls, as well as a practical understanding and application of general accounting principles and the analysis and evaluation of financial statements. Through Mr. Roane's extensive experience on boards of publicly traded companies he has developed insight into the current practices of many companies and amassed significant knowledge in the area of finance and audit committees. This experience provides Mr. Roane with the skill set and financial literacy required to carry out his duties as a member of the Audit Committee.
- *Grant Billing* – Mr. Billing was the Chairman and Chief Executive Officer of Superior Plus Corp. from 2006 to 2011, and prior thereto the Executive Chairman since 1998. Mr. Billing has extensive strategic and business experience gained over a period of more than 30 years in various CEO/senior management capacities, including as President and CEO of Norcen Energy Resources Ltd. He has served as chairman and director of a number of public companies, as well as the Canadian Association of Petroleum Producers. He holds a Bachelor of Science degree from the University of Calgary. This experience, coupled with his designation as a Chartered Accountant, received in 1976, provide Mr. Billing with the skill set and financial literacy required to carry out his duties as a member of the Audit Committee.

Pre-Approval Policies and Procedures

The Audit Committee must pre-approve all non-audit services to be provided to Badger by its external auditors. Prior to engaging the auditors to provide any services over and above the regular audit engagement, management will

contact the Chair of the Audit Committee for approval. The Chair of the Audit Committee will assess whether or not he should seek the approval of the entire Audit Committee prior to approving the engagement.

External Auditor Service Fees

At the request of Badger, Ernst & Young LLP resigned as auditor of Badger and Badger appointed Deloitte LLP as the successor auditor, each effective as of April 20, 2015. The aggregate amounts paid or accrued by Badger with respect to fees payable to these firms for the last two completed financial years for audit (including separate audits of subsidiary entities, financings and regulatory reporting requirements), audit-related, tax and other services in the applicable fiscal periods ended were as follows:

	<u>2014</u>	<u>2015</u>	
	<i>E&Y</i>	<i>E&Y</i>	<i>Deloitte</i>
Audit fees ⁽¹⁾	\$340,871	\$-	\$175,000
Audit-related fees ⁽²⁾	\$-	\$10,000	\$29,000
Tax fees ⁽³⁾	\$178,171	\$412,971	\$-
All other fees ⁽⁴⁾	\$17,718	\$-	\$6,150
TOTAL	\$536,720	\$422,971	\$210,150

Notes:

- (1) "Audit fees" include the aggregate professional fees paid to the auditors for the audit of the annual consolidated financial statements and other regulatory audits and filings.
- (2) "Audit-related fees" include the aggregate fees paid to the auditors for services related to the audit services, including namely consultations regarding financial reporting and accounting standards and due diligence and comfort letters related to filing franchise circulars in the United States.
- (3) "Tax fees" include the aggregate fees paid to the auditors for tax compliance, tax advice, tax planning and advisory services, including namely the preparation of income tax and capital returns.
- (4) "All other fees" include the aggregate fees paid to the auditors for all other services other than those presented in the categories of audit fees, audit-related fees and tax fees.

The Audit Committee of Badger considered and agreed that the above fees are compatible with maintaining the independence of Badger's auditors. Further, the Audit Committee determined that, in order to ensure the continued independence of the auditors, only limited non-audit related services will be provided to Badger by Deloitte LLP and in such case, only with the prior approval of the Audit Committee.

ADDITIONAL INFORMATION

Additional information relating to Badger may be found on SEDAR at www.sedar.com.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities and securities authorized for issuance under equity compensation plans, where applicable, is contained in the management information circular of the Corporation for its most recent meeting of shareholders which involved the election of directors.

Additional financial information is provided in Badger's consolidated financial statements and management's discussion and analysis for its most recently completed financial year.

SCHEDULE A

BADGER DAYLIGHTING LTD.

MANDATE OF THE AUDIT COMMITTEE

Adoption

This Mandate of the Audit Committee has been adopted by the Board of Directors (the “**Board**”) of Badger Daylighting Ltd. (the “**Corporation**”).

References to “Badger”

In this Mandate of the Audit Committee, “**Badger**” means the Corporation and, where the context requires, the Corporation and its subsidiaries considered on a consolidated basis.

Policy Statement

It is the policy of the Corporation to establish and maintain an Audit Committee (the “**Audit Committee**”), composed entirely of independent directors of the Corporation, to assist the Board in carrying out its oversight responsibility for Badger’s internal controls, financial reporting and risk management processes. The Audit Committee will be provided with resources commensurate with the duties and responsibilities assigned to it by the Board including administrative support. If determined necessary by the Audit Committee, it will have the discretion to institute investigations of improprieties, or suspected improprieties within the scope of its responsibilities, including the standing authority to retain special counsel or experts.

Composition of the Committee

1. The Audit Committee shall consist of at least three directors of the Corporation (the “**Directors**”). The Board shall appoint the members of the Audit Committee. The Board shall appoint one member of the Audit Committee to be the Chair of the Audit Committee.
2. Each Director appointed to the Audit Committee by the Board shall be an independent Director. Generally speaking, a Director is “**independent**” if such Director has no direct or indirect material relationship with Badger and a “**material relationship**” is a relationship which could, in the view of the Board, be reasonably expected to interfere with the exercise of the Director’s independent judgment. In determining whether a Director is independent of management, the Board shall make reference to the then current legislation, rules, policies and instruments of applicable regulatory authorities.
3. Each member of the Audit Committee shall be “**financially literate**”. In order to be financially literate, a Director must be, at a minimum, able to read and understand basic financial statements, and at least one member shall have "accounting or related financial management expertise", meaning the ability to analyze and interpret a full set of financial statements, including the notes attached thereto, in accordance with Canadian generally accepted accounting principles.
4. A Director appointed by the Board to the Audit Committee shall be a member of the Audit Committee until replaced by the Board or until his or her resignation.
5. The Chairman of the Board shall be an *ex officio* member of the Audit Committee.

Meetings of the Committee

1. The Audit Committee shall convene a minimum of four times each year at such times and places as may be designated by the Chair of the Audit Committee and whenever a meeting is requested by the Board, a member of the Audit Committee, the auditors, or a senior officer of Badger. Meetings of the Audit Committee shall correspond with the review of the quarterly financial statements and management's discussion and analysis.
2. Notice of each meeting of the Audit Committee shall be given to each member of the Audit Committee.
3. Notice of a meeting of the Audit Committee shall:
 - (a) be in writing;
 - (b) state the nature of the business to be transacted at the meeting in reasonable detail;
 - (c) to the extent practicable, be accompanied by copies of documentation to be considered at the meeting; and
 - (d) be given at least two business days prior to the time stipulated for the meeting or such shorter period as the members of the Audit Committee may permit.
4. A quorum for the transaction of business at a meeting of the Audit Committee shall consist of a majority of the members of the Audit Committee (excluding the Chairman of the Board). However, it shall be the practice of the Audit Committee to require review, and, if necessary, approval of certain important matters by all members of the Audit Committee.
5. A member or members of the Audit Committee may participate in a meeting of the Audit Committee by means of such telephonic, electronic or other communication facilities, as permits all persons participating in the meeting to communicate adequately with each other. A member participating in such a meeting by any such means is deemed to be present at the meeting.
6. In the absence of the Chair of the Audit Committee, the members of the Audit Committee shall choose one of the members present to be Chair of the meeting. In addition, the members of the Audit Committee shall choose one of the persons present to be the Secretary of the meeting.
7. The Chairman of the Board, senior management of Badger and other parties may attend meetings of the Audit Committee; however the Audit Committee (i) shall meet with the external auditors independent of management and (ii) may meet with management or independently of management.
8. Minutes shall be kept of all meetings of the Audit Committee and shall be signed by the Chair and the Secretary of the meeting.

Duties and Responsibilities of the Committee

1. The Audit Committee's primary duties and responsibilities are to:
 - (e) identify and monitor the management of the principal risks that could impact the financial reporting of Badger;
 - (f) monitor the integrity of Badger's financial reporting process and system of internal controls regarding financial reporting and accounting compliance;

- (g) monitor the independence and performance of Badger’s external auditors;
 - (h) deal directly with the external auditors to approve external audit plans, other services (if any) and fees;
 - (i) directly oversee the external audit process and results (in addition to items described in Section 4 below);
 - (j) provide an avenue of communication among the external auditors, management and the Board;
 - (k) ensure that an effective “whistle blowing” procedure exists to permit stakeholders to express any concerns regarding accounting or financial matters to an appropriately independent individual; and
 - (l) ensure that an appropriate Code of Conduct is in place and understood by employees, officer and Directors of Badger.
2. The Audit Committee shall have the authority to:
- (a) inspect any and all of the books and records of Badger;
 - (b) discuss with the management of Badger and senior staff of Badger, any affected party and the external auditors, such accounts, records and other matters as any member of the Audit Committee considers necessary and appropriate;
 - (c) engage independent counsel and other advisors as it determines necessary to carry out its duties; and
 - (d) to set and pay the compensation for any advisors employed by the Audit Committee.
3. The Audit Committee shall, at the earliest opportunity after each meeting, report to the Board the results of its activities and any reviews undertaken and make recommendations to the Board as deemed appropriate.
4. The Audit Committee shall:
- (a) review the audit plan with Badger’s external auditors and with management;
 - (b) discuss with management and the external auditors any proposed changes in major accounting policies or principles, the presentation and impact of significant risks and uncertainties and key estimates and judgements of management that may be material to financial reporting;
 - (c) review with management and with the external auditors significant financial reporting issues arising during the most recent fiscal period and the resolution or proposed resolution of such issues;
 - (d) review any problems experienced or concerns expressed by the external auditors in performing an audit, including any restrictions imposed by management or significant accounting issues on which there was a disagreement with management;
 - (e) review with senior management the process of identifying, monitoring and reporting the principal risks affecting financial reporting;

- (f) review audited annual financial statements and related documents in conjunction with the report of the external auditors and obtain an explanation from management of all significant variances between comparative reporting periods;
 - (g) consider and review with management the internal control memorandum or management letter containing the recommendations of the external auditors and management's response, if any, including an evaluation of the adequacy and effectiveness of the internal financial controls of Badger and subsequent follow-up to any identified weaknesses;
 - (h) review with financial management the quarterly unaudited financial statements and management's discussion and analysis before release to the public;
 - (i) before release, review and if appropriate, recommend for approval by the Board, all public disclosure documents containing audited or unaudited financial information, including any prospectuses, annual reports, annual information forms, management's discussion and analysis and press releases; and
 - (j) oversee any of the financial affairs of Badger, and, if deemed appropriate, make recommendations to the Board, external auditors or management.
5. The Audit Committee shall:
- (a) evaluate the independence and performance of the external auditors and annually recommend to the Board the appointment of the external auditor or the discharge of the external auditor when circumstances are warranted;
 - (b) consider the recommendations of management in respect of the appointment of the external auditors;
 - (c) pre-approve all non-audit services to be provided to Badger by its external auditors;
 - (d) approve the engagement letter for non-audit services to be provided by the external auditors or affiliates, together with estimated fees, and considering the potential impact of such services on the independence of the external auditors;
 - (e) when there is to be a change of external auditors, review all issues and provide documentation related to the change, including the information to be included in the Notice of Change of Auditors and documentation required pursuant to National Instrument 51-102 (or any successor legislation) of the Canadian Securities Administrators and the planned steps for an orderly transition period; and
 - (f) review all reportable events, including disagreements, unresolved issues and consultations, as defined by applicable securities policies, on a routine basis, whether or not there is to be a change of external auditors.
6. The Audit Committee shall review all securities offering documents (including documents incorporated therein by reference) of Badger.
7. The Audit Committee shall review the amount and terms of any insurance to be obtained or maintained by Badger with respect to risks inherent in its operations and potential liabilities incurred by the Directors or officers in the discharge of their duties and responsibilities.

8. The Audit Committee shall review the appointments of the Chief Financial Officer and any key financial managers who are involved in the financial reporting process.
9. The Audit Committee shall enquire into and determine the appropriate resolution of any conflict of interest in respect of audit or financial matters which are directed to the Audit Committee by any member of the Board, a securityholder of Badger, the external auditors, or senior management.
10. The Audit Committee shall periodically review with management the need for an internal audit function.
11. The Audit Committee shall review Badger's accounting and reporting of environmental costs, liabilities and contingencies.
12. The Audit Committee shall establish and maintain procedures for:
 - (a) the receipt, retention and treatment of complaints received by Badger regarding accounting controls, or auditing matters; and
 - (b) the confidential, anonymous submission by employees of Badger on concerns regarding questionable accounting or auditing matters.
13. The Audit Committee shall review and approve Badger's hiring policies regarding employees and former employees of the present and former external auditors or auditing matters.
14. The Audit Committee shall review with Badger's legal counsel as required, but at least annually, any legal matter that could have a significant impact on Badger's financial statements, and any enquiries received from regulators, or government agencies.
15. The Audit Committee shall assess, on an annual basis, the adequacy of this Mandate and the performance of the Audit Committee.

Document Control Information

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